GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5114
ANSWERED ON:20.04.2001
DEBT SECURITIES
DR. KIRIT SOMAIYA

Will the Minister of FINANCE be pleased to state:

(a) whether SEBI has allowed companies to issue debt securities to the public without listing equity;

(b) if so, the details thereof;

(c) whether this facility is at present available only to infrastructure companies and municipal corporations;

(d) if so, the reasons for allowing companies to issue debt securities; and

(e) the other conditions laid down for allowing companies to issue debt securities?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (BALASAHEB VIKHE PATIL)

(a) The Securities and Exchange Board of India (SEBI) decided in March 2001, to allow all companies to issue debt securities to the public without listing equity, subject to fulfilling certain conditions.

(b) The details and conditions for issuing of such debt securities include inter alia, as follows. The securities proposed to be issued shall carry an investment grade rating. The issuer has to comply with existing provisions for listing regarding the size of the public offer of debt securities. The promoters have to bring in an equity contribution of 20% and lock-in the same for a period of 3 years from the date of allotment of the public issue. Disclosure standards prescribed for public issue of equity will be applicable. Further, there are provisions under the Companies Act to safeguard the interests of investors in such securities.

(c) Yes, Sir.

(d) This has been done with a view to further developing the debt market.

(e) As in (b) above.